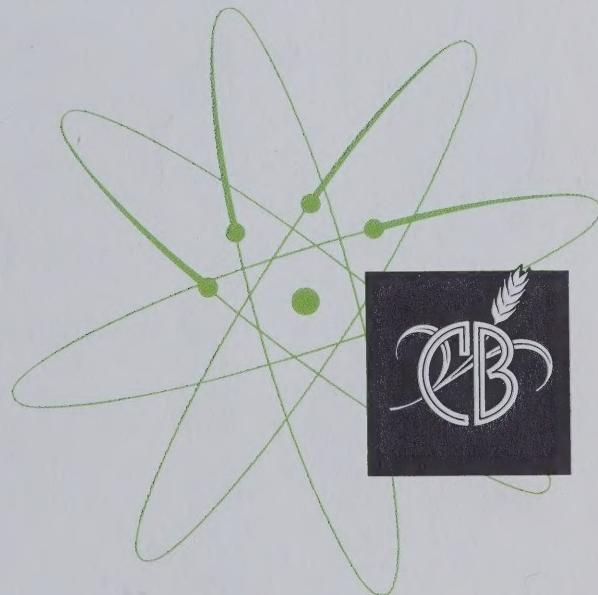


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CANADIAN BREWERIES LIMITED

M. Egan, then file



Annual Report for year ended

October 31st, 1964

**CANADIAN
BREWERIES
LIMITED**



Executive Offices:

297 Victoria Street, Toronto 2, Canada

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Company brand labels	Inside back gatefold
List by Company and brand of provinces, states, etc., where each brand is available . . .	Outside back gatefold

THE ANNUAL MEETING WILL BE HELD IN THE MAIN LOUNGE OF O'KEEFE CENTRE, FRONT AND YONGE STREETS, TORONTO, ON MARCH 29, 1965, AT 2.30 O'CLOCK IN THE AFTERNOON. HOLDERS OF CLASS A AND CLASS B PREFERENCE SHARES OF THE COMPANY ARE NOT ENTITLED AS SUCH TO ATTEND OR VOTE AT THE MEETING.

CANADIAN BREWERIES LIMITED

HIGHLIGHTS

	1964	1963	%
			<i>Increase (Decrease)</i>
Net Sales	\$412,305,805	\$398,128,413	3.6
Government excise and sales taxes	\$153,501,358	\$148,181,386	3.6
Net Earnings	\$ 16,571,837	\$ 17,146,472	(3.4)
Common shares outstanding . . .	21,761,375	21,761,035	—
Earnings per common share . . .	\$.65	\$.70	(7.1)
Dividends paid—preference . . .	\$ 2,424,954	\$ 1,885,909	
Dividends paid—common	\$ 8,704,458	\$ 8,704,414	
Dividends—annual rate per common share	\$.40	\$.40	—
Total Assets	\$338,256,748	\$318,650,758	6.2
Working capital position	\$ 70,043,966	\$ 53,203,018	31.7
Long term debt.	\$ 86,850,000	\$ 67,581,000	28.5
Shareholders' equity—total	\$221,569,360	\$216,126,935	2.5
Number of preference shareholders	6,614	6,873	
Number of common shareholders	38,522	33,658	
Number of employees	7,300	7,300	

DIRECTORS AND OFFICERS

BOARD OF DIRECTORS

- D. C. BETTS, *Toronto*
Retired brewery executive
- HON. PAUL H. BOUFFARD, M.C., Q.C., *Quebec City*
A member of the Senate of Canada
- P. L. BRADFER-LAWRENCE, M.C., *London, England*
Managing-Director, Charrington
United Breweries Limited
- JACQUES BRILLANT, *Rimouski*
President, Québec-Téléphone
- *C. F. W. BURNS, *Toronto*
Chairman, Burns Bros. and Denton Limited
(Member, Toronto Stock Exchange)
- J. INNES CARLING, O.B.E., *London, Ontario*
President, Carling Insurance Agency
(general insurance)
- PAUL DESMARAIS, *Montreal*
President, Provincial Transport Company
(public transportation company)
- *IAN R. DOWIE, *Toronto*
President, Canadian Breweries Limited
- M. A. EAST, *Saskatoon*
President, John East Iron Works Limited
(foundry and metal fabricators)
- ARTHUR ELLIOTT, *Sheffield, England*
Solicitor
- LORING L. GELBACH, *Cleveland*
Retired; formerly Chairman,
Central National Bank of Cleveland
- JOHN G. KIRKPATRICK, Q.C., *Montreal*
A partner of the legal firm of Howard, Cate,
Ogilvy, Bishop, Cope, Porteous & Hansard
- *Members of the Executive Committee of the Board
- A. S. LEACH, *Winnipeg*
President, Searle Grain Company Limited
(grain dealers)
- W. C. MACKENZIE, M.D., *Edmonton*
Dean of Medicine, University of Alberta
- *A. BRUCE MATTHEWS, C.B.E., D.S.O., *Toronto*
Chairman, The Excelsior Life Insurance Company
- J. C. MAYNE, *Calgary*
Retired; formerly Assistant General Manager,
The Royal Bank of Canada
in charge of Alberta operations
- *JOHN A. McDougald, *Toronto*
President, Crown Trust Company
- A. M. McGAVIN, *Vancouver*
President, McGavin Toast Master Limited
(manufacturers of bakery products)
- J. M. MCGRATH, M.D., *St. John's*
Minister of Health for the Province of Newfoundland
- *D. A. MCINTOSH, Q.C., *Toronto*
A partner of the legal firm of Fraser, Beatty, Tucker,
McIntosh & Stewart, General Counsel of
Canadian Breweries Limited
- G. E. SHARPE, *Winnipeg*
President, Sharpe's Limited
(an automobile accessories company)
- G. C. SOLOMON, *Regina*
President, Western Tractor Limited
(farm machinery distributors)
- F. C. SWEET, *Vancouver*
Vice-President, Boultbee, Sweet & Co. Ltd.
(real estate and general insurance)
- *E. P. TAYLOR, C.M.G., *Bahama Islands*
Chairman,
Canadian Breweries Limited

OFFICERS

- Chairman of the Board, E. P. TAYLOR
- Vice-Chairman of the Board, A. BRUCE MATTHEWS
- President, IAN R. DOWIE
- Executive Vice-President, J. G. CAMPBELL
- Executive Vice-President—
Canadian Operations, C. O. DALTON

- Vice-President—
Operational and Technical Services, F. L. HOVEY
- Vice-President—*Marketing*, M. J. LEDDY
- Vice-President—*Personnel*, E. N. DAVIS
- Secretary, W. E. DREWRY
- Treasurer, J. D. FRASER

TRANSFER AGENTS

IN CANADA

- National Trust Company, Limited; Ontario, Quebec,
Manitoba, Alberta and British Columbia
- Eastern & Chartered Trust Company; New Brunswick
and Nova Scotia
- The Canada Trust Company; Saskatchewan

- IN THE UNITED STATES
The Chase Manhattan Bank

AUDITORS

Touche, Ross, Bailey & Smart

REGISTRARS

IN CANADA

- Montreal Trust Company
- IN THE UNITED STATES
Morgan Guaranty Trust Company of New York

BANKERS

- The Royal Bank of Canada
- Canadian Imperial Bank of Commerce
- Central National Bank of Cleveland

TORONTO, CANADA, FEBRUARY 24, 1965

REPORT OF THE BOARD OF DIRECTORS

TO THE SHAREHOLDERS:

Your Directors present herewith a statement of the affairs and financial position of your Company as at October 31, 1964.

SALES AND PROFITS

During the year under review sales increased 3.6% to \$412,305,805 up \$14,177,392 from the 1963 figure of \$398,128,413. Net earnings, however, were disappointing, and at \$16,571,837 were down 3.4% from the previous year's figure of \$17,146,472. Earnings per common share declined from 70¢ to 65¢.

This figure was substantially below the earnings objective principally because, although industry sales were up to forecast, your Company's share of the volume declined in some major marketing areas.



Exterior front view of the new Carling Brewing Company plant on the southern outskirts of Fort Worth, Texas. With an initial annual capacity of 300,000 barrels, it is the first plant in the world to use the continuous brewing method, and incorporates the very latest technological advances. Constructed of a low silhouette design, the two-storey plant covers more than 200,000 square feet.

Profits in Canada were higher but labour problems, work stoppages and the delayed opening of the new Fort Worth plant unfavourably affected both sales and earnings in the United States. Consequently the consolidated operating profit was down \$1,054,946 to \$40,748,614.

Other income at \$6,768,332 was lower by \$1,012,527, notwithstanding an increase in dividend income of \$836,614 as a result of higher dividends from United Kingdom investments.

Needless to say, the reduction in earnings is causing your Directors considerable concern and the problems involved are receiving the close attention of the Board and of the management.

BALANCE SHEET

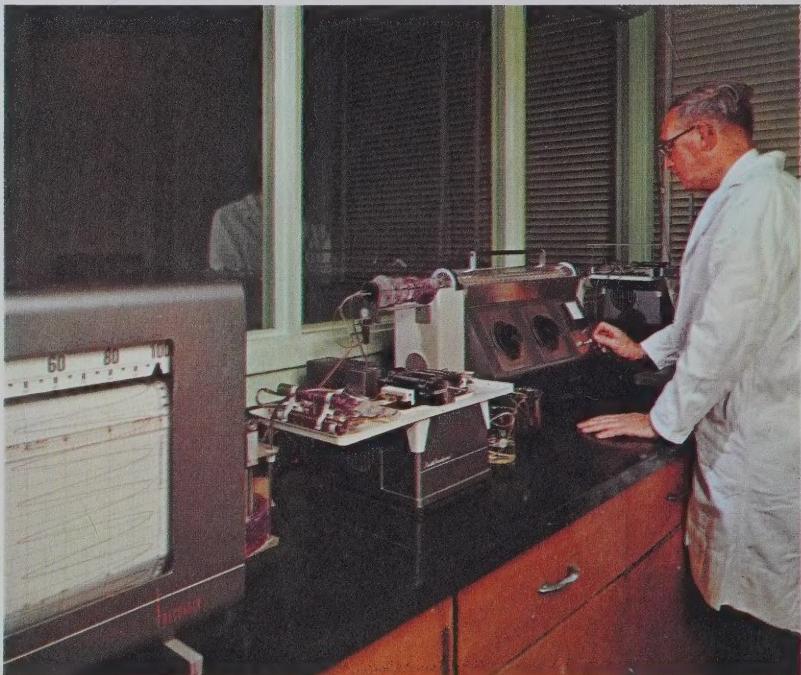
The Balance Sheet as of October 31, 1964 shows a strong financial position with total assets of \$338,256,748 up \$19,605,990; working capital of \$70,043,966 up \$16,840,948, and a ratio of current assets to current liabilities of 3.3 to 1.

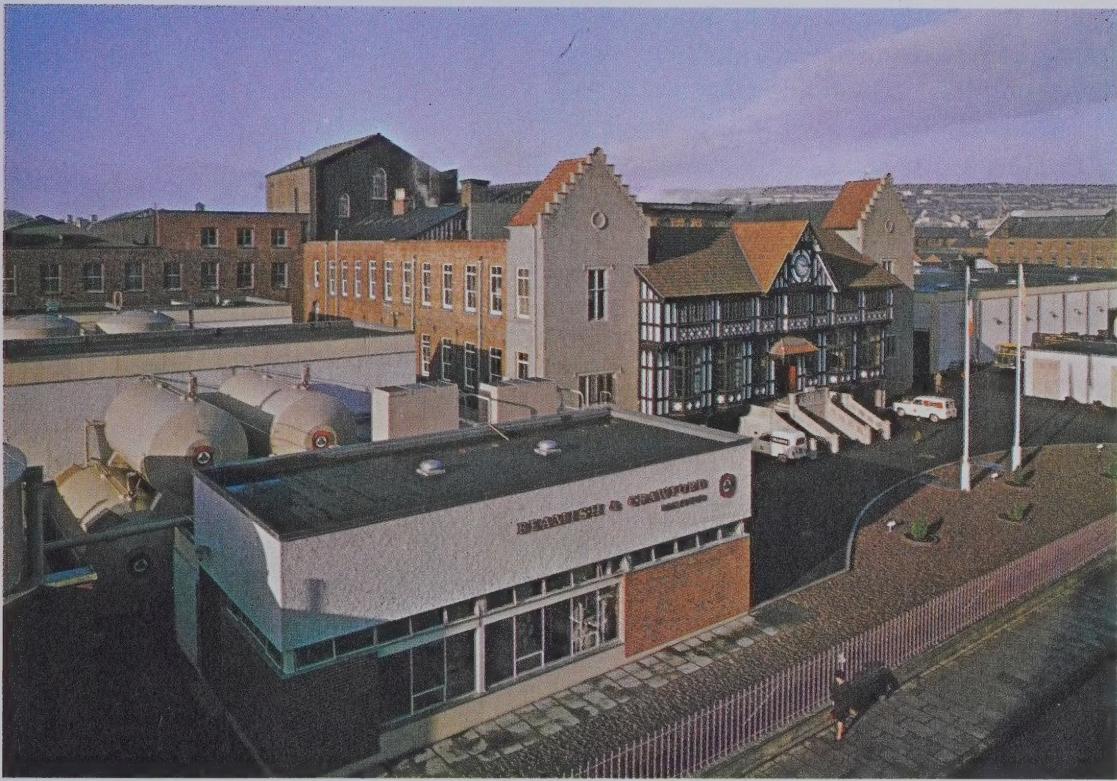
During the year \$25,000,000 principal amount of Series E Debentures were issued, while debenture redemptions totalled \$5,731,000. At the year end funded debt was \$86,850,000 up \$19,269,000 from the 1963 figure.

INVESTMENTS ABROAD

During the year your Company's investment in the shares of Charrington United Breweries Limited was increased by \$4,674,274 to a total of \$18,833,304. This company continues to do very well and increased its dividends during the year. The market value of these shares at the year end was \$27,079,000.

The new technicon autoanalyser in the CBL Research Laboratories in Toronto. This analyser, which has primarily been used hitherto in medical laboratories, employs a continuous flow system and eliminates all step-by-step manual procedures. It can perform in 5 minutes a complete beer analysis which would take 4 hours with manual methods. Canadian Breweries Limited is among the world's leading companies in brewing research.





The newly renovated and expanded plant of Beamish & Crawford Limited in Cork, Ireland. In the left foreground is the engine room. Behind can be seen some of the externally located fermenting vessels and storage and bottling tanks, which are a unique feature of the plant. On the far right, is the new shipping and bottling building. Further expansion of the plant will shortly be undertaken to keep pace with the growing demand for Beamish Extra Stout, which now enjoys national distribution, and for Carling Black Label Beer.

The first phase of the expansion of the Beamish & Crawford Brewery in Cork, Republic of Ireland, a wholly owned subsidiary of your Company, was completed at a cost of \$2,464,585. This plant is now producing successfully a dark Stout of the type popular in Ireland and Carling Black Label Lager Beer which has become the leading Lager in sales in Ireland. A further expansion of this plant, including the building of malting facilities, and costing approximately \$800,000 will be started and largely completed during 1965.

An agreement is in the process of being entered into with local investors in Hong Kong to construct a small brewery in that Colony. It is anticipated that work on this plant will be commenced in 1965. Your Company's investment in this project will be about \$1,000,000.

It was reported to the Shareholders at this time last year that the Board had approved the investment of up to 20% of your Company's assets in countries outside North America. The percentage at present is 15% and, apart from the items mentioned above, no significant increase in overseas investments is contemplated at this time.

OUTLOOK FOR THE COMING YEAR

It is anticipated that industry sales in North America will increase by 3 to 4% so that, if the management of your Company is able to stabilize its share of market and match this

rate of growth, there should be no further deterioration in the level of earnings. It will, of course, be your management's aim to do better than this, reversing such trends as have continued into this year, and no effort will be spared to bring this about.

The new plant in Fort Worth, Texas, will contribute to your Company's penetration of the very important South-Western markets of the United States. A further step in this direction was recently taken when your Company's United States subsidiary acquired the assets of the Arizona Brewing Company of Phoenix, Arizona, which operated the only brewery in that rapidly growing State. These two additions to the production facilities will make it possible for your American subsidiary to ship economically into several major marketing areas which were too distant from any of its other seven plants and which, as a result of population trends, are rapidly increasing in importance.

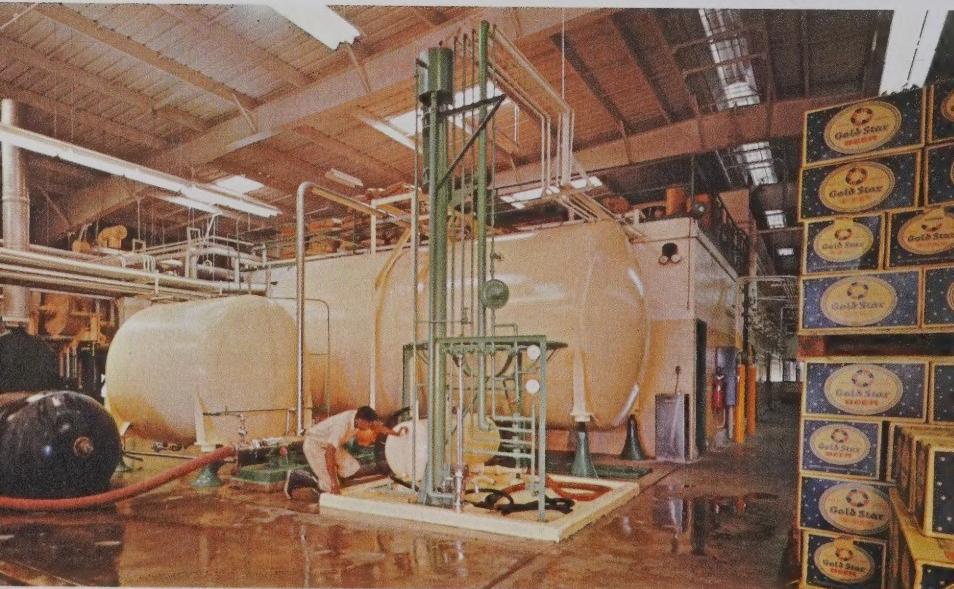
The death of Lt. Col. W. Eric Phillips, which occurred in December, 1964, was a sad loss to your Company. He made great contributions to the work of the Board of Directors and the Executive Committee, and he will be sorely missed.

Your Directors wish to express their appreciation to the 7,300 employees of your Company for their loyal and enthusiastic co-operation during the year.

On behalf of the Board of Directors

E. P. TAYLOR, *Chairman*

IAN R. DOWIE, *President*



The Conbrew reconstitution area at the Nassau plant of Associated Bahamian Breweries Ltd. One of the large 500 gallon rubber containers in which the concentrated wort is shipped from the Bennett Brewing Co. plant in St. John's, Newfoundland, can be seen left centre. Water is added to the wort in Nassau and then fermentation, filtration and aging take place in the normal manner. On the right are cases of the local brand, Gold Star Beer.

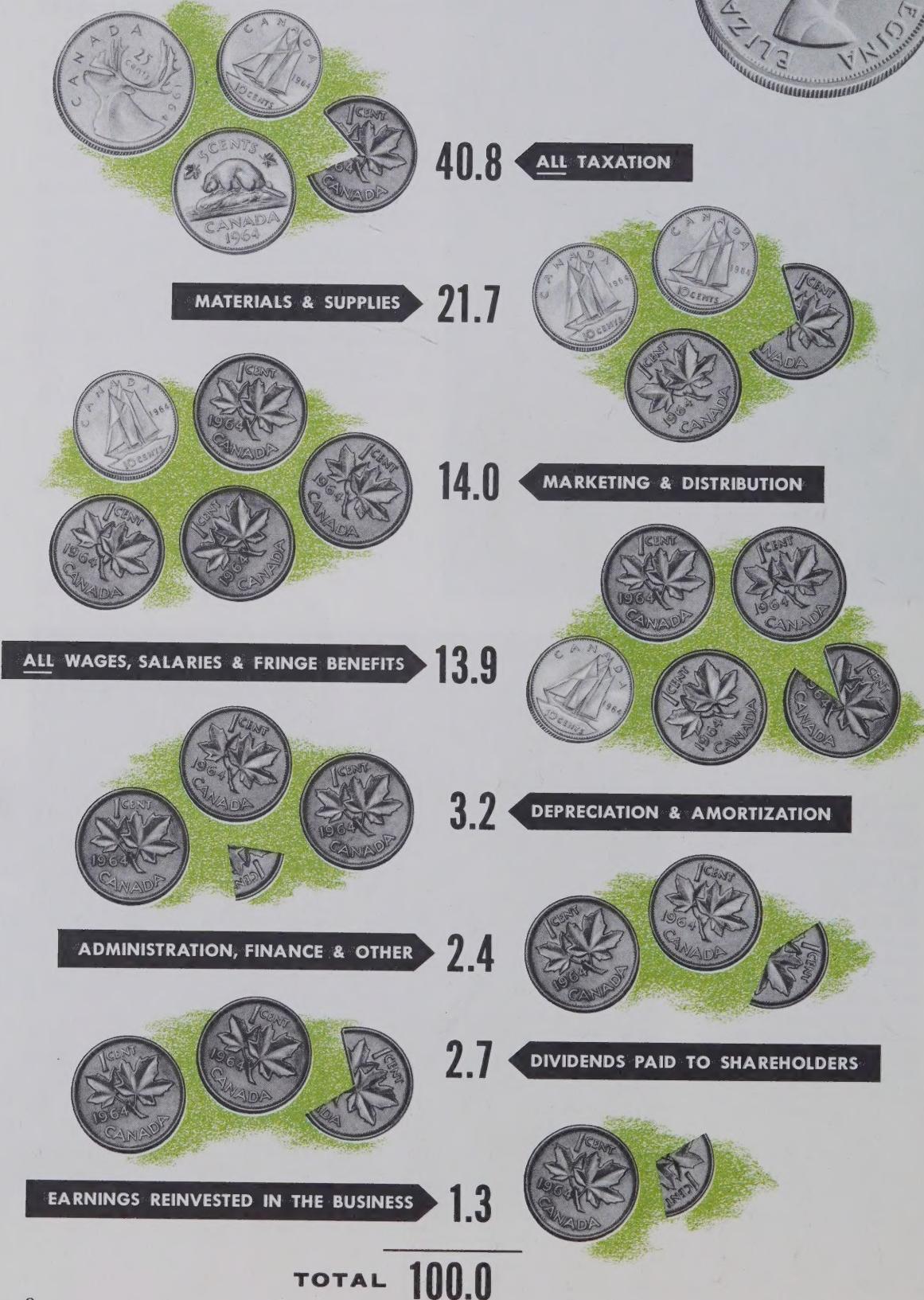


The Chairman of Dow Brewery Ltd., Mr. J. A. Desrochers, seated, and the President, Dr. P. R. Gendron, studying the model of the \$1,250,000 Dow Planetarium which Dow Brewery Ltd. is presenting to the City of Montreal. The Planetarium will be located in Chabot Square, directly north of the main Dow plant. Construction has now started, and the Planetarium, which will be the biggest and most modern in Canada, is expected to open very early in 1966.

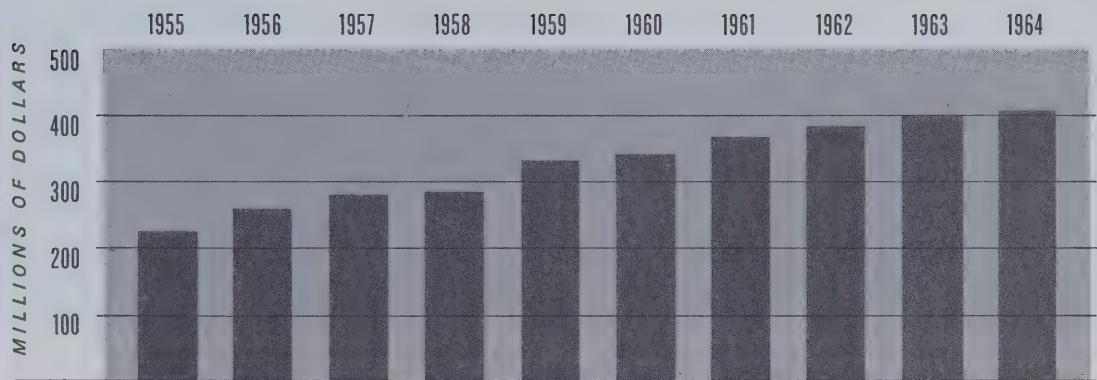
Arnold Palmer on the 72nd green after his famous second shot which hit the pin on the final hole of the first Carling World Golf Championship, held at Oakland Hills Country Club, Michigan, U.S.A. from August 27-30, 1964. Palmer finished second by one stroke to Bobby Nichols. This highly successful tournament was jointly sponsored by Carling Brewing Company, Carling Breweries and Charrington United Breweries, and will be held annually.



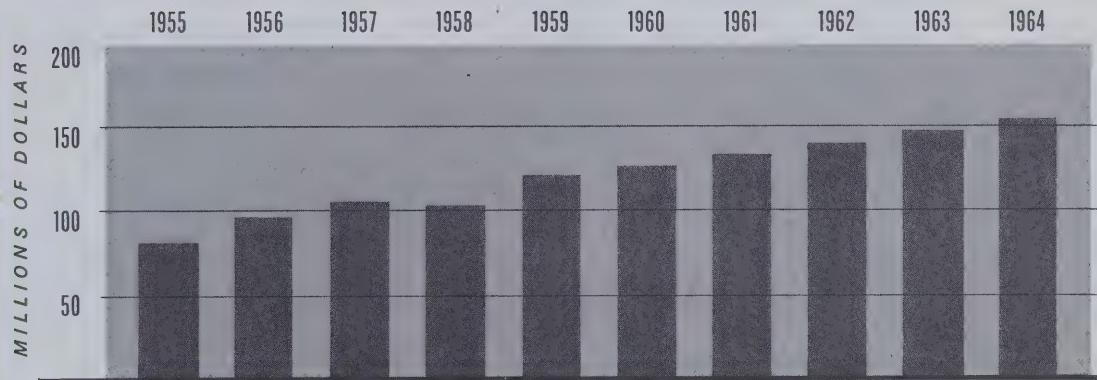
DISTRIBUTION OF INCOME DOLLAR



NET SALES



GOVERNMENT EXCISE AND SALES TAXES



■ NET EARNINGS
□ DIVIDENDS PAID

1955 1956 1957 1958 1959 1960 1961 1962 1963 1964



■ GROSS
□ NET

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

ASSETS

	<i>October 31 1964</i>	<i>October 31 1963</i>
CURRENT ASSETS		
Cash	\$23,346,288	
Treasury bills and short term deposits at cost	9,695,554	
Investments at cost (quoted market value \$5,751,000).	5,792,318	
Accounts receivable	19,785,805	
Inventories (Note 1)	38,979,914	
Prepaid expenses	<u>2,281,475</u>	
TOTAL CURRENT ASSETS	\$ 99,881,354	\$ 88,145,841
 INVESTMENTS IN OTHER COMPANIES <i>at cost</i>		
Shares in and advances of \$3,969,904 to subsidiaries not consolidated (Note 1)	5,815,640	
Debentures and note receivable	3,830,000	
Shares in Charrington United Breweries Limited (quoted market value \$27,079,000)	18,833,304	
Shares in and advances of \$6,450,247 to associated companies	<u>31,434,931</u>	
	59,913,875	52,446,454
 PROPERTY, PLANT AND EQUIPMENT <i>at cost</i>		
Land	11,670,659	
Buildings, plant and equipment	\$268,771,861	
Less accumulated depreciation	<u>120,465,783</u>	
	148,306,078	
	159,976,737	161,829,987
 SUNDRY PROPERTIES AND INVESTMENTS <i>at cost less amounts written off</i>		
	13,267,602	11,445,694
 DEFERRED CHARGES <i>less amounts written off</i>		
Debenture discount	2,998,201	
Cost of compact bottle conversion—net (Note 1)	<u>2,218,979</u>	
	5,217,180	4,782,782
	\$338,256,748	\$318,650,758



CONSOLIDATED BALANCE SHEET AS AT OCTOBER 31, 1964

LIABILITIES AND SHAREHOLDERS' EQUITY

	<i>October 31 1964</i>	<i>October 31 1963</i>
CURRENT LIABILITIES		
Accounts payable and accrued items	\$14,325,481	
Income taxes	9,664,078	
Other taxes	<u>5,847,829</u>	
TOTAL CURRENT LIABILITIES.	\$ 29,837,388	\$ 34,942,823
LONG TERM DEBT (Note 2)	86,850,000	67,581,000
SHAREHOLDERS' EQUITY (Note 3)		
Capital stock		
<i>Authorized</i>		
999,915 preference shares with a par value of		
\$50 each, issuable in series		
30,000,340 common shares without par value		
<i>Issued</i>		
499,915 \$2.20 Cumulative Convertible Preference		
Shares Series A—redeemable at \$53 per		
share and accrued dividends	24,995,750	
500,000 \$2.65 Cumulative Preference Shares		
Series B—redeemable at \$52.50 per share		
and accrued dividends.	25,000,000	
21,761,375 common shares	78,345,029	
Retained earnings	<u>93,228,581</u>	
	221,569,360	216,126,935
COMMITMENTS AND CONTINGENCIES (Note 4)		

Approved on behalf of the Board E. P. TAYLOR, Director

IAN R. DOWIE, Director

\$338,256,748 \$318,650,758

The accompanying explanatory notes are an integral part of these financial statements.

CANADIAN BREWERIES LIMITED
AND SUBSIDIARY COMPANIES

**CONSOLIDATED STATEMENT OF RETAINED EARNINGS
FOR THE YEAR ENDED OCTOBER 31, 1964**

Balance November 1, 1963	\$ 87,786,156
Add: Net earnings for the year	16,571,837
	<u>104,357,993</u>
Deduct: Dividends paid—preferred	\$2,424,954
—common	<u>8,704,458</u>
	<u>11,129,412</u>
Balance October 31, 1964	<u>\$ 93,228,581</u>

**CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS
FOR THE YEAR ENDED OCTOBER 31, 1964**

Working capital, November 1, 1963	\$ 53,203,018
<i>Source of Funds</i>	
Net earnings for the year	\$ 16,571,837
Depreciation and amortization not requiring an outlay of funds	11,494,336
Amortization of compact bottle conversion costs \$1,932,069 less applicable income tax	984,772
Proceeds of sale of debentures	23,712,500
Reduction of debentures receivable	<u>100,000</u>
	<u>52,863,445</u>
	<u>106,066,463</u>
<i>Application of funds</i>	
Dividends paid to shareholders	11,129,412
Investment in property, plant and equipment and sundry properties, less disposals	11,222,224
Investment in other companies	7,567,421
Long term debt redeemed	5,731,000
Current compact bottle conversion costs \$671,650 less applicable income tax	<u>372,440</u>
	<u>36,022,497</u>
Working capital, October 31, 1964	<u>\$ 70,043,966</u>



CONSOLIDATED STATEMENT OF EARNINGS

FOR THE YEAR ENDED OCTOBER 31, 1964

	<i>Year ended October 31</i>	<i>1964</i>	<i>1963</i>
Net sales	\$412,305,805	\$398,128,413	
Less government excise and sales taxes	153,501,358	148,181,386	
	<u>258,804,447</u>	<u>249,947,027</u>	
Cost of goods sold, selling, administrative and general expenses (Directors' fees included \$69,500)	218,055,833	208,143,467	
Operating profit before undernoted items	40,748,614	41,803,560	
 OTHER INCOME			
Dividends received	2,514,452		
Interest	1,748,529		
Net profit on disposal of properties and investments	1,240,518		
Discounts earned	898,336		
Miscellaneous	<u>366,497</u>		
	<u>6,768,332</u>	<u>7,780,859</u>	
	<u>47,516,946</u>	<u>49,584,419</u>	
 OTHER DEDUCTIONS			
Interest on long term debt	3,794,505		
Other interest	<u>520,199</u>		
	<u>4,314,704</u>	<u>3,752,788</u>	
	<u>43,202,242</u>	<u>45,831,631</u>	
Provision for depreciation and amortization	11,494,336	11,627,777	
Amortization of compact bottle conversion costs	<u>1,932,069</u>	<u>1,770,844</u>	
	<u>13,426,405</u>	<u>13,398,621</u>	
	<u>29,775,837</u>	<u>32,433,010</u>	
Provision for income taxes (Note 5)	13,204,000	15,119,000	
Net earnings before minority interest	16,571,837	17,314,010	
Less minority interest	—	167,538	
Net earnings	<u>\$ 16,571,837</u>	<u>\$ 17,146,472</u>	
	<u>6.86%</u>	<u>6.86%</u>	

The accompanying explanatory notes are an integral part of these financial statements.

CANADIAN BREWERIES LIMITED

AND SUBSIDIARY COMPANIES

EXPLANATORY NOTES TO FINANCIAL STATEMENTS AS AT OCTOBER 31, 1964

1

PRINCIPLES OF CONSOLIDATION AND ACCOUNTING

The consolidated financial statements include the accounts of the Company and all subsidiaries with the exception of the accounts of two companies which are not significant to the consolidation; the audited accounts of one of these companies, which is located overseas, are not available and the operations of the other are not comparable with the companies comprising the consolidation. Excluding advances, the Company's equity in the net assets of these unconsolidated subsidiaries is approximately \$460,000 at October 31, 1964.

The accounts of subsidiaries are as at October 31 except for three malting companies which are as at September 30.

The accounts of United Kingdom subsidiaries are included on the following bases: investments at the rate of exchange prevailing at the time of acquisition; other current assets and current liabilities at the rate prevailing at October 31, 1964 and earnings at the average rate for the year. The accounts of United States subsidiaries are included on the basis of one United States dollar equalling one Canadian dollar.

Inventories are summarized as follows, according to bases of valuation:

At the lower of cost or market

Beer and ale finished and in process	\$17,184,674
Materials and supplies	9,896,273

At estimated value which is lower than new replacement cost

Containers	11,898,967
	<u>\$38,979,914</u>

Costs of converting to the compact bottle are being amortized over a period of years. For income tax purposes the Company claims full costs as currently expended and the resulting deferred tax has been deducted from unamortized costs.

2

LONG TERM DEBT

ISSUED BY CANADIAN BREWERIES LIMITED

Debentures secured by first mortgages

Authorized and Issued, \$15,000,000 less retired \$12,250,000

3½% Sinking Fund Debentures maturing March 1, 1967. Sinking fund payments of \$500,000 are required annually on or before March 1 up to 1966.

Outstanding

\$ 1,500,000

4% Sinking Fund Debentures maturing January 15, 1969. Sinking fund payments of \$250,000 are required annually on or before January 15 up to the date of maturity . . .

1,250,000

Debentures authorized by trust indenture dated January 15, 1954 and indentures supplemental thereto.

Authorized and Issued, \$15,000,000 less retired \$6,000,000

4¾% Sinking Fund Debentures Series A, maturing January 15, 1979 and payable in either Canadian or U.S. funds at par, at the option of the holder. Sinking fund payments of \$600,000 are required annually on or before January 15 up to the date of maturity . . .

9,000,000

Authorized and Issued, \$20,000,000 less retired \$6,400,000

4¼% Sinking Fund Debentures Series B, maturing January 15, 1981 and payable in either Canadian or U.S. funds at par, at the option of the holder. Sinking fund payments of \$800,000 are required annually on or before January 15 up to 1980 . . .

13,600,000

Authorized and Issued, \$15,000,000 less retired \$3,600,000

5% Sinking Fund Debentures Series C, maturing January 15, 1983 and payable in Canadian funds. Sinking fund payments of \$600,000 are required annually within fifteen days before January 15 up to 1982 . . .

11,400,000

Authorized and Issued, \$20,000,000 less retired \$2,400,000	
5½% Sinking Fund Debentures Series D, maturing April 1, 1986 and payable in Canadian funds. Sinking fund payments of \$800,000 are required annually within fifteen days before April 1 up to 1985. These debentures may not be redeemed by call except through the operation of the sinking fund until April 1, 1973 in connection with a refunding operation by the application, directly or indirectly, of borrowed funds	17,600,000
Authorized and Issued, \$25,000,000	
5½% Sinking Fund Debentures Series E, maturing April 1, 1989 and payable in Canadian funds. Sinking fund payments of \$1,000,000 are required annually within fifteen days before April 1 up to 1988. These debentures may not be redeemed by call except through the operation of the sinking fund until April 1, 1976 in connection with a refunding operation by the application, directly or indirectly, of borrowed funds	25,000,000
ISSUED BY CARLING BREWING COMPANY INCORPORATED	
5% Notes payable to banks, payable in instalments of \$1,080,000 on November 1, 1964 and \$1,070,000 annually thereafter up to November 1, 1970. The interest rate is currently 5% subject to adjustment of ½ of 1 per cent above the prime rate in effect for commercial borrowers during the term of the loans	7,500,000
TOTAL OUTSTANDING	\$86,850,000

The funded portion of long term debt is redeemable, except where indicated above, at premiums varying according to date of redemption.

The portion of the above long term debt falling due within one year is \$5,630,000.

3

SHAREHOLDERS' EQUITY

Series A Preference Shares are convertible into Common Shares on the basis of 1 Preference Share to 4 Common Shares on or before May 1, 1965, thereafter to 3½ Common Shares on or before May 1, 1967. Under this privilege 85 Series A Preference Shares were converted into 340 Common Shares during the year.

Under the Company's Stock Option Plan, options may be granted on a maximum of 500,000 common shares to key executives of the Company and its subsidiaries. As at October 31, 1964 there were outstanding options on 243,000 shares, exerciseable between November 12, 1965 and November 11, 1973 at \$9.74 per share in Canada and \$9.15 U.S. per share in the United States.

The trust deed and trust indentures relating to the Company's debentures outstanding contain provisions whereby dividends may not be declared or paid which would reduce consolidated net current assets, as defined, below a certain level. As at October 31, 1964 the net current assets, as defined, exceeded such requirements by at least \$37,500,000.

4

COMMITMENTS AND CONTINGENCIES

Capital expenditures authorized and miscellaneous guarantees and contingencies aggregated approximately \$14,000,000, including the purchase in November, 1964 of Arizona Brewing Co. Inc.

5

INCOME TAXES

The provision for income taxes for the 1964 fiscal year has been made on the basis of claiming maximum capital cost allowances. Such provision is \$558,000 less than the amount that would have been provided had it been made on the basis of the depreciation recorded in the accounts. The accumulation of such reductions in income taxes for the fiscal years 1954 to 1964 inclusive amounts to approximately \$8,430,000.

AUDITORS' REPORT

UNDER LAWS OF THE PROVINCE OF ONTARIO

TOUCHE, ROSS, BAILEY & SMART

HALIFAX
QUEBEC
MONTREAL
TORONTO
LONDON
REGINA
NORTH BATTLEFORD
EDMONTON

SAINT JOHN
CAP DE LA MADELEINE
OTTAWA
HAMILTON
WINNIPEG
SASKATOON
CALGARY
VANCOUVER
VICTORIA

CHARTERED ACCOUNTANTS
SUN LIFE BUILDING
200 UNIVERSITY AVE.
TORONTO I, ONTARIO
TELEPHONE: 366-6521

UNITED STATES OF AMERICA
GREAT BRITAIN
AND OTHER COUNTRIES
THROUGHOUT THE WORLD
CABLE ADDRESS: "TROBAS"

The Shareholders,
CANADIAN BREWERIES LIMITED.

We have examined the consolidated balance sheet of Canadian Breweries Limited and Subsidiary Companies as at October 31, 1964 and the related consolidated statements of earnings and retained earnings for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion the accompanying consolidated balance sheet and related consolidated statements of earnings and retained earnings present fairly the consolidated financial position of the company and its subsidiaries as at October 31, 1964 and the results of their combined operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Ontario,
December 18, 1964

Toiche, Ross, Bailey Smart
Chartered Accountants.

CANADIAN BREWERIES LIMITED AND SUBSIDIARY COMPANIES

Consolidated Summary of Earnings for the Ten Years Ended October 31, 1964 (Thousands of dollars)

Year Ended October 31	Sales	Sales less Excise and Sales Taxes	Cost of Goods Sold, Selling Administrative and General Expenses— before Depreciation and Amortization	Interest on Bonds, Debentures, Notes and Loans	Other Income —net	Provision for Depreciation and Amortization	Earnings before Provision for Income Taxes	Provision for Income Taxes	Provision for Minority Interest	Net Earnings for Year
1955	\$224,768	\$141,188	\$114,266	\$1,634	\$1,800	\$5,849	\$21,239	\$9,259	\$ 834	\$11,146
1956	261,184	163,762	136,938	1,883	2,290	7,016	20,215	8,486	1,510	10,219
1957	280,154	176,107	144,424	2,475	1,381	8,229	22,360	9,667	1,376	11,317
1958	281,445	177,775	149,055	2,647	2,439	8,331	20,181	8,667	1,435	10,079
1959	333,764	211,971	175,587	2,761	1,582	8,754	26,451	12,950	1,105	12,396
1960	340,852	214,607	179,179	2,647	2,628	8,455	26,954	12,179	1,014	13,761
1961	363,580	229,497	190,728	3,304	3,255	10,399	28,321	12,963	963	14,395
1962	380,066	238,015	195,305	3,809	5,332	12,291	31,942	15,589	584	15,769
1963	398,128	249,947	208,143	3,753	7,781	13,399	32,433	15,119	168	17,146
1964	412,306	258,804	218,056	4,314	6,768	13,426	29,776	13,204	—	16,572

CANADIAN BREWERIES LIMITED COMPANY BRANDS

On the preceding two pages your Company brand labels are displayed. Below is a listing by Company and brand of the provinces, states or countries, in which the various brands are available.

We invite shareholders and their friends to use these brands and thus contribute to profits from which dividends are paid. The serving of company brands when entertaining may also suggest their use to other potential customers.

ASSOCIATED BAHAMIAN BREWERIES LIMITED NASSAU

GOLD STAR BEER Bahamas

BEAMISH & CRAWFORD LIMITED CORK

BEAMISH EXTRA STOUT } Ireland
CARLING BLACK LABEL }

BENNETT BREWING COMPANY LIMITED ST. JOHN'S

DOMINION PALE ALE }
DOMINION STOUT } Newfoundland
HAIG LIGHT BEER }

CALGARY BREWING & MALTING COMPANY LIMITED

CALGARY

CALGARY EXPORT LAGER BEER
Saskatchewan, Alberta, Yukon, Northwest Territories

CALGARY ALE Alberta

PILSENER Alberta, Northwest Territories

CALGARY STOCK ALE Manitoba, Saskatchewan Alberta, Northwest Territories

CALGARY 4X STOUT Alberta, Northwest Territories

THE CARLING BREWERIES, LIMITED* TORONTO, WATERLOO, WINDSOR, WINNIPEG, REGINA, RED DEER, VANCOUVER

BLACK LABEL BEER Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, Alberta, British Columbia, Yukon, Northwest Territories

RED CAP ALE All ten provinces plus Yukon and Northwest Territories

"CINCI" LAGER BEER Ontario, New York, Illinois, Indiana, Michigan, Ohio

BRADING ALE } Quebec, Ontario
JUBILEE PORTER }

STANDARD LAGER BEER Manitoba, Saskatchewan

EXTRA STOUT Manitoba

PILSENER Manitoba, British Columbia, Yukon

OLD COUNTRY ALE British Columbia, Yukon

U.B.C. BEER } British Columbia
4X CREAM STOUT }

CARLING BREWING COMPANY INCORPORATED ATLANTA, BALTIMORE, BELLEVILLE, CLEVELAND, FORT WORTH, FRANKENMUTH, NATICK, PHOENIX, TACOMA

BLACK LABEL BEER } All 50 American States
RED CAP ALE }

HEIDELBERG BEER Alaska, California, Idaho, Montana, Oregon, Washington

STAG BEER Arkansas, Illinois, Indiana, Iowa, Kansas, Kentucky, Missouri, Ohio, Oklahoma, Tennessee, West Virginia

CALGARY EXPORT MALT LIQUOR Florida, Georgia, North Carolina, South Carolina

LANSER'S A.I. BEER Arizona, California, Colorado, Nevada, New Mexico, Utah

NOTE: Carling Black Label Beer is also produced by our associate company, Charrington United Breweries Limited, at various plants in Britain and is on sale in all parts of that country.

In addition, Black Label is now shipped from the U.S.A. and Britain to more than 50 countries.

DOW BREWERY LIMITED QUEBEC, MONTREAL, TORONTO, CALGARY

DOW ALE Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Yukon, Northwest Territories, New York

BOCK BEER Quebec, Ontario

KINGSBEER LAGER Newfoundland, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Yukon, Northwest Territories, New York

BLACK HORSE ALE Ontario

KEBEC ALE } Quebec
CHAMPLAIN PORTER }

DOW CREAM PORTER Prince Edward Island
New Brunswick, Ontario, Manitoba

BIG HORN STOUT Alberta

O'KEEFE BREWING COMPANY LIMITED OTTAWA, TORONTO, WINNIPEG, SASKATOON, EDMONTON, VANCOUVER

O'KEEFE ALE Newfoundland, Prince Edward Island, Nova Scotia, New Brunswick, Quebec, Ontario, Manitoba, Saskatchewan, British Columbia, Northwest Territories; also New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, and Iowa

BLENDED ALE Quebec, Ontario

OLD VIENNA LAGER BEER All ten provinces plus Yukon, Northwest Territories; also New York, New Jersey, Pennsylvania, Ohio, Indiana, Illinois, Michigan, Wisconsin, Iowa, California, Oregon and Washington

HOLIDAY LAGER Ontario

DOUBLE STOUT Ontario, Saskatchewan

BOHEMIAN MAID BEER Alberta, Northwest Territories

BOHEMIAN MAID STOUT Alberta

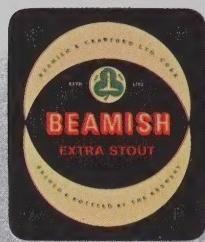
STEIN BEER British Columbia

*NOTE: After the colour printing plates of Company brand labels overleaf had been completed, The Carling Breweries Limited introduced CHARRINGTON TOBY BEER in Ontario.

ASSOCIATED BAHAMIAN BREWERIES LIMITED

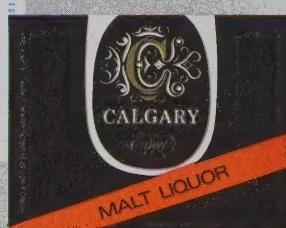
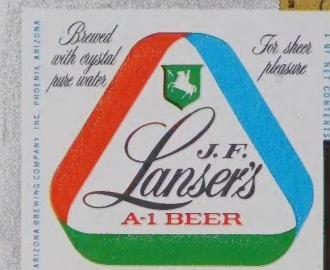
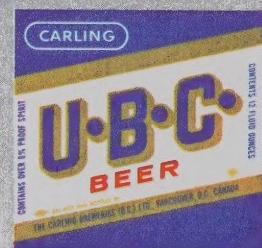
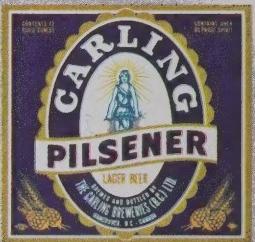
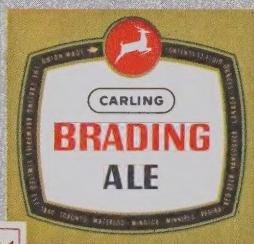
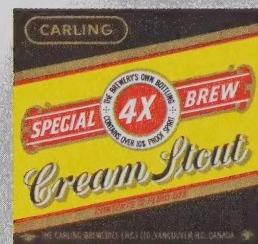


BEAMISH & CRAWFORD LIMITED



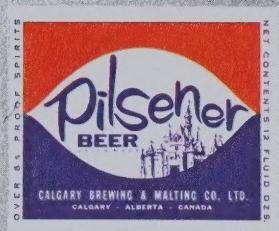
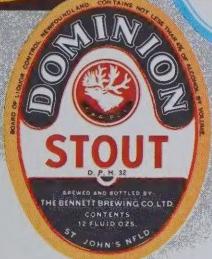
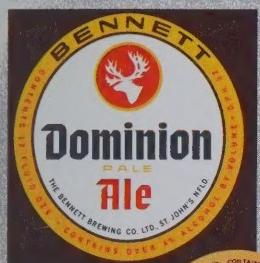
THE CARLING BREWERIES LIMITED

CARLING BREWING COMPANY INCORPORATED

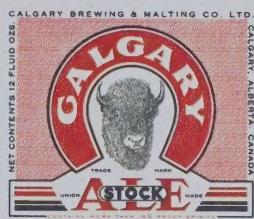


FOR
INFORMATION
ABOUT WHERE
ALL THESE
BRANDS ARE
AVAILABLE
PLEASE SEE
THE OUTSIDE
GATEFOLD

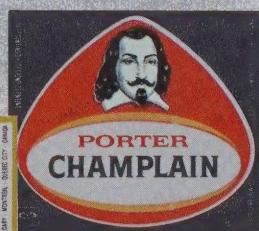
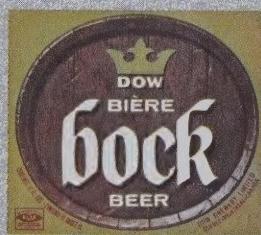
BENNETT BREWING COMPANY LIMITED



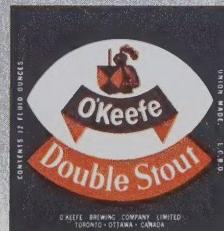
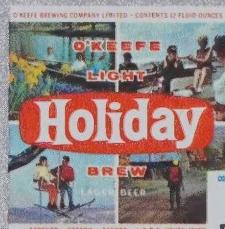
CALGARY BREWING & MALTING COMPANY LIMITED

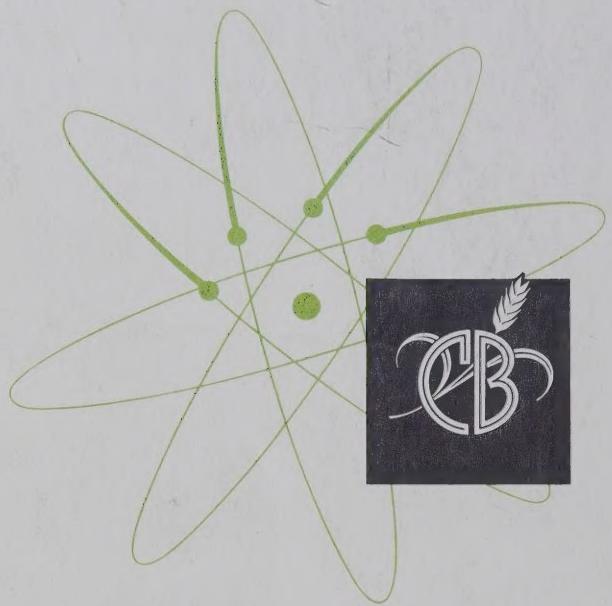


DOW BREWERY LIMITED



O'KEEFE BREWING COMPANY LIMITED





CANADIAN BREWERIES LIMITED

Executive Offices: 297 Victoria Street, Toronto 2, Canada



SYMBOL OF TODAY'S RESEARCH—CONSTANT GROWTH AND DEVELOPMENT OF SCIENTIFIC IDEAS PLAYS
AN IMPORTANT PART IN THE WORK OF THE CANADIAN BREWERIES LIMITED RESEARCH DEPARTMENT.